

Message Text

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PAGE 01 CARACA 00233 101407Z

ACTION OPIC-06

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FM AMEMBASSY CARACAS

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TAGS: EINV, VE

SUBJ: EVALUATION OF TECHNOLOGY TRANSFERS AND CONTRIBUTIONS IN
KIND

REF: 1) STATE A-5760 2) CARACAS 14250 3) CARACAS 13700

1. GOV EVALUATION OF FOREIGN INVESTMENT PROPOSALS IS RESPONSIBILITY OF SUPERINTENCIA DE INVERSIONES EXTRANJERAS (SIEX). PROFESSIONAL STAFF OF THREE ENGINEERS AND FOUR ECONOMISTS EVALUATED TOTAL OF 103 PROPOSALS DURING 1976. EVALUATION PROCESS ALWAYS INCLUDES SOME TYPE OF ANALYSIS OF VALUE ASSIGNED TO MACHINERY OR TECHNOLOGY BEING SUPPLIED AS PART OF INPUT BY FOREIGN INVESTOR.

2. WITH RESPECT TO ANALYSIS OF VALUE OF EQUIPMENT, PROCESS IS FAIRLY STRAIGHTFORWARD. SIEX ATTEMPTS TO ESTABLISH FAIR MARKET VALUE FOR GOODS BEING PROVIDED THROUGH COMPARISON WITH BIDS RECEIVED BY GOV FOR EQUIVALENT EQUIPMENT. IF COMPENSATION IN FORM OF CASH, EQUITY, OR PERCENTAGE OF SALES IS CONSIDERED TOO HIGH, SIEX ATTEMPTS TO NEGOTIATE A REDUCTION. ULTIMATELY, SIEX HAS OPTION OF DENYING APPROVAL FOR THE PROPOSED INVESTMENT. METHODOLOGY USED (COMPARISON WITH PRICES OF OTHER SUPPLIERS) REMAINS THE SAME WHETHER INVESTORS BEING COMPENSATED BY CASH, EQUITY OR PERCENTAGE OF SALES, AND SEEMS FAIRLY OBJECTIVE.

UNCLASSIFIED

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PAGE 02 CARACA 00233 101407Z

3. SIEX ATTEMPTS TO USE SAME PROCESS FOR EVALUATION OF TECHNOLOGY, BUT HERE TASK IS MORE DIFFICULT. SIEX REPRESENTATIVES ADMIT DECISIONS IN THIS AREA ARE MORE ARBITRARY DUE TO PROBLEMS WITH ESTABLISHING FAIR MARKET VALUE FOR TECHNOLOGY AND TECHNICAL ASSISTANCE. IN SOME CASE, SIEX DOES NOT ATTEMPT TO ASSIGN PRECISE VALUE BUT RATHER COMPARES TOTAL COMPENSATION TO BE RECEIVED BY FOREIGN INVESTOR TO COMPENSATION ATTRIBUTED TO

INPUTS OF GOODS AND SERVICES. IF RATIO SEEMS TOO HIGH, SIEX ATTEMPTS TO NEGOTIATE A REDUCTION OF COMPENSATION FOR THESE INPUTS. ARTICLE 21 OF DECISION 24 OF THE ANDEAN PACT COMMITTEE PROHIBITS CAPITALIZATION OF TECHNOLOGY OR TECHNICAL ASSISTANCE. THIS HAS BEEN CODIFIED IN VENEZUELAN LAW. ARTICLE 59 OF DECREE 63 STATES IN PART "TECHNICAL CONTRIBUTIONS...CANNOT BE COMPUTED AS CAPITAL CONTRIBUTIONS BY THE OWNER OR SUPPLIERS TO THE NATIONAL OR MIXED COMPANY."

4. WE ARE ADVISED THAT SIEX CONCENTRATES EFFORTS ON LARGER INVESTMENT PROPOSALS DUE TO MANPOWER LIMITATIONS. SMALLER PROPOSALS ARE OFTEN EXAMINED IN MORE CURSORY FASHION, WITH SIEX BECOMING DEEPLY INVOLVED ONLY WHEN COMPENSATION TO FOREIGN INVESTOR SEEMS GROSSLY OUT OF LINE. IT IS THEREFORE DIFFICULT TO MAKE ANY GENERALIZATIONS CONCERNING THE DEGREE OF CONFIDENCE THAT CAN BE PLACED IN SIEX VALUATION PROCEDURES.

5. EMBASSY FORWARDED NUMEROUS COPIES OF SIEX PUBLICATION "COMMON AND INTERNAL RULES OF TREATMENT FOR FOREIGN CAPITALS AND TRANSFER OF TECHNOLOGY" TO TOM BREWER, OIM, DEPARTMENT OF COMMERCE, IN NOVEMBER OF 1976. THIS PUBLICATION IS MOST COMPREHENSIVE COMPILATION OF LAWS, DECREES, AND REGULATIONS CURRENTLY IN FORCE GOVERNING FOREIGN INVESTMENT IN VENEZUELA. EMBASSY SUGGESTS OPIC CONTACT COMMERCE DEPARTMENT AND OBTAIN COPIES AS REQUIRED. ADDITIONAL INFORMATION ON FOREIGN INVESTMENT RULES AND PROPOSED CHANGES WHICH MAY BE OF INTEREST TO OPIC WAS TRANSMITTED IN CARACAS 13700 AND CARACAS 14250. VAKY

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Disposition Case Number: n/a
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Disposition Event:
Disposition History: n/a
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